

VZCZCXR05138  
RR RUEHBI RUEHCI RUEHNEH  
DE RUEHCI #0322/01 3361159  
ZNR UUUUU ZZH  
R 021159Z DEC 09  
FM AMCONSUL KOLKATA  
TO RUEHC/SECSTATE WASHDC 2505  
INFO RUEHNE/AMEMBASSY NEW DELHI 2404  
RUEHBI/AMCONSUL MUMBAI 1017  
RUEHCG/AMCONSUL CHENNAI 1014  
RUEHNEH/AMCONSUL HYDERABAD 0080  
RHMFSS/DEPT OF ENERGY WASHINGTON DC  
RUEHCI/AMCONSUL KOLKATA 3130

UNCLAS SECTION 01 OF 03 KOLKATA 000322

SENSITIVE  
SIPDIS

STATE FOR SCA/INSB, EEB/ESC/IEC/ENR (SHAH/MONOSSON), S/SECC, OES  
DEPT OF ENERGY (SANDALOW/OCONNOR/GINSBERG/CUTLER)

E.O. 12958: N/A

TAGS: [ENRG](#) [SENV](#) [EAGR](#) [EINV](#) [KGHG](#) [IN](#)

SUBJECT: MAJORITY OF INDIA'S NON-ELECTRIFIED VILLAGES IN EASTERN  
REGION: PUBLIC/PRIVATE, CONVENTIONAL/RENEWABLE FIRMS TO PROVIDE  
SOLUTIONS

REF: A. KOLKATA 171  
[B.](#) KOLKATA 291

**¶1.** (U) More than a quarter of India's villages remain without electricity and sixty percent of these are in the five eastern states of Assam, Orissa, Bihar, Jharkhand and West Bengal. In 2005 the GoI launched an improved rural electrification program, but progress continues to be hampered by security concerns, land acquisition difficulties, transmission and distribution shortcomings and state/federal coordination. In the east, West Bengal's rural electrification progress stands out due to strong leadership from state officials and implementing partners. Public and private players are already using renewable energy sources for remote village electrification in West Bengal and Bihar, with other states in the planning stages. Optimists predict 2012, at the earliest, before the GoI realizes its goal of providing 100 percent of households in every village with access to electricity.

Majority of India's Non-electrified Villages are in the East;  
Great Disparity within the Region

**¶2.** (U) According to the GoI Ministry of Power's September 2009 report on village electrification, more than a quarter of India's villages remain without electricity and sixty percent of these are in the five eastern states of Assam, Orissa, Bihar, Jharkhand and West Bengal. However, within the east, there is great disparity: 99.5 percent of West Bengal's villages are electrified, 78.6 percent of Assam's, 62.6 percent of Orissa's, 61.3 percent of Bihar's and 31 percent of Jharkhand's. These figures dramatically understate actual electrification as the GoI defines a village as "electrified" if 10 percent of the total number of households in a village has electricity connections.

2005 National Rural Electrification Program: More Central Government Support than Previous Programs

**¶3.** (U) In 2005 the GoI launched a new and improved rural electrification program, the Rajiv Gandhi Grameen Vidyutikarn Yojana (RGGVY), with a larger central government role in financial assistance and coordination than past programs. Its

goal is to ensure that every household in every village has access to electricity by 2012 (the original date was 2009). Past initiatives floundered due primarily to low levels of central funding, but also because of weak customer bases and high maintenance costs for rural infrastructure. Under the new program, the federal government funds 90 percent of the costs for rural electricity infrastructure (previously it had been as low as 40 percent) and the states fund the remainder, either through loans from financial institutions or internal budgetary resources. Households living below the poverty line are also provided with free connections (but not free electricity).

Disparate Progress in the East under RGGVY: West Bengal Leads, Orissa Lags

¶4. (U) Eastern Indian states have made varying amounts of progress under the RGGVY. From the program's launch in 2005 up until November 2009, of the five largest eastern states, West Bengal has performed the best; it electrified 86 percent of its previously non-electrified villages. On the other hand, Orissa has managed to electrify a paltry 14 percent of its previously non-electrified villages. S. Ghosh Dastidar, the regional manager of RGGVY's implementing agency, the Rural Electrification Corporation (REC), acknowledged both general and state-specific reasons for the delay. He highlighted the difficulty of identifying vendors for work in remote, rural areas and compiling lists of families eligible for free household electricity connections.

KOLKATA 00000322 002 OF 003

¶5. (SBU) On the other hand, strong state political and administrative leadership make a difference. He spoke highly of the Chairman of the West Bengal State Electricity Distribution Company who oversees the rural electrification program in the state. He singled out his daily monitoring of progress, monthly interagency coordination and focus on ensuring paid connections are provided to those households above the poverty line to generate revenue. In West Bengal, media suggests that the recent rural electrification push may also be driven by the ailing Left Front government's attempt to counter the inroads the opposition Trinamool and Congress have made with rural populations. According to the West Bengal senior civil servant for energy, Dr. G .D. Gautama, 100 percent of West Bengal village's will be "electrified" by the end of 2009 and all rural households will have access to electricity by 2010.

The Challenges of Setting up Rural Electricity Infrastructure

¶6. (SBU) Rural electrification in the east continues to be hampered by security concerns, land acquisition difficulties, transmission and distribution shortcomings and state/federal coordination. An REC official told EconFSN that "no electricity pole can be pitched" in rural areas in Jharkhand without paying off the Maoists/Naxals. He also highlighted the poor quality of Bihar's transmission and distribution network, which discourages customer payment for poor and unreliable electricity service. Bihar's senior civil servant for energy, Ravi Kant told PolOFF that difficulty in acquiring land for substations and transmission lines has delayed RGGVY implementation. Their program also suffers from coordination issues between the project implementer, which is one of the national power generation companies, its state-level electricity distribution partner and the state-level utility companies that eventually operate the system.

Decentralized Distributed Generation through Conventional and Renewable Sources

¶ 17. (U) In areas where provision of grid electricity is neither feasible nor cost-effective, the RGGVY program provides a 90 percent capital subsidy for establishing decentralized distributed generation facilities using conventional or renewable sources. The central Ministry of New and Renewable Energy further supports renewable energy sources through its Remote Village Electrification (RVE) program.

¶ 18. (SBU) In India, the West Bengal Renewable Energy Development Agency (WBREDA) is one of the leaders in the deployment of off-grid solar and biomass projects, particularly in areas such as the Sunderbans islands, where grid connections are not feasible. WBREDA has also successfully piloted a USAID supported micro-turbine project and has plans for a tidal energy project. The Orissa government has identified 1,786 villages where conventional source power is not feasible. In the first phase of a multi-phase renewable program, it will electrify 203 villages using solar and biomass resources. The Assam government has identified 2,000 remote villages for solar photovoltaic power generation and 90 potential mini-hydropower sites (total capacity of 148.5 MW). The Bihar government has focused on biomass as an alternative energy source, particularly gasification or combustion of rice husk, and estimates a state potential of 200 MW of power.

Progress of Government Projects Slow, Private Sector Steps in To Fill the Gap

¶ 19. (U) While a number of the eastern state renewable energy agencies have plans to set up renewable distributed generation

KOLKATA 00000322 003 OF 003

projects, only West Bengal's agency has made any progress worth mention. In states like West Bengal and Bihar, private players have stepped in to fill the gap, with or without state incentives. West Bengal's favorable incentives and feed in tariff policy have attracted investments in solar projects both in manufacturing of equipment and generation (Reftel A). In Bihar, the U.S.-firm Husk Power Services is setting up rice husk based gasifier systems with little government support to produce electricity in remote villages where grid connections are distant dreams (Reftel B). The state governments of Orissa, Jharkhand and Assam have yet to announce favorable tariff or other incentives to attract significant private participation in the renewable sector.

Comment

¶ 10. (U) The GoI's current rural electrification program is an improvement over previous incarnations, but the challenges remain daunting. The ambitious goal of providing electricity access to every household in every village has already slipped once, from 2009 to 2012, and most likely will slip again. Rural electrification is a critical component in the GoI's strategy to develop and unlock the economic potential of its rural areas. The Congress-led United Progressive Alliance's re-election earlier this year and focus on the "common man" are encouraging signs that the program's central support will continue. However, strong state government support clearly makes a

difference in determining the program's successful implementation.

PAYNE